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CIA/OER/S-06624-74 CRUDE OIL PRICE CALCULATIONS

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CIA/OER/5-06624-74

S-6624

19 November 1974

MEMORANDUM FOR: Mr. Harry Bodansky
International Economic Policy
and Research
Department of Commerce

SUBJECT : Crude Oil Price Calculations

The following tables present an update on crude oil price calculations used in the International Economic Report of the President - 1974. If you have any further questions please call [REDACTED] on Code 143-5321.

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[REDACTED]
Chief,
International Energy Branch
Industrial Nations Division
Office of Economic Research

Attachments:
As stated

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Libyan Crude Oil Prices

Libyan 40° gravity oil	US \$ Per Barrel			<u>1/</u>
	<u>1 Jan 74</u>	<u>1 July 74</u>	<u>1 Oct. 74</u>	
1. Posted Price	15.768	15.768		
2. Royalty	1.971 (12½% of 1)	2.286 (14½% of 1)		
3. Production cost	.300	.470		
4. Profits for tax purposes (1-(2+3))	13.497	13.012		
5. Tax	7.423 (55% of 4)	7.156 (55% of 4)		
6. Retroactive Payment <u>2/</u>	.100	.181		
7. Government Revenues (2+5+6)	9.494	9.623		
8. Cost of Equity Oil (3+7) (49% of production)	9.794	10.093		
9. Cost of Participation Oil (51% of production)	16.000	13.400		
10. Average weighted cost	12.959	11.780		

1/ Negotiations for fourth quarter prices have not been completed.

2/ During negotiations in the spring of 1971, the Libyans demanded substantial retroactive payment for their oil. Rather than make a large lump sum payment the companies agreed to pay on a per barrel basis.

Venezuelan Crude Oil Prices

Venezuelan 26° gravity oil	US \$ Per Barrel		
	<u>1 Jan 74</u>	<u>1 Jul 74</u>	<u>1 Oct 74</u>
1. Posted price <u>1/</u>	13.776	14.312	14.312
2. Estimated royalty	1.206	2.284	2.284
3. Production cost	.512	.612	.712
4. Profit for tax purposes (1-(2+3))	12.058	11.416	11.316
- 5. Tax <u>2/</u>	7.416 (61.5% of 4)	7.021 (61.5% of 4)	6.959 (61.5% of 4)
6. Government revenues (2+5)	8.622	9.305	9.243
7. Oil company cost (3+6)	9.134	9.917	9.955
8. Average weighted cost	9.134	9.917	9.955

1/ Including a short-haul premium.

2/ In September Venezuela increased its tax by 3½% retroactive to the first of the year.

Nigerian Crude Oil Prices

Nigerian 34° gravity oil	US \$ Per Barrel		
	1 Jan 74	1 Jul 74	1 Oct 74
1. Posted price	14.691	14.691	14.691
2. Royalty	1.836. (12½% of 1)	2.130. (14½% of 1)	2.449 (16 2/3% of 1)
3. Production cost	.350	.400	.450
4. Profits for tax purposes (1-(2+3))	12.505	12.161	11.792
5. Tax	6.878. (55% of 4)	6.689. (55% of 4)	7.167 (60.78% of 4)
6. Harbor dues	.020	.020	.020
7. Government Revenue (2+5+6)	8.734	8.839	9.636
8. Cost of equity oil (3+7) (% of production)	9.084. (65%)	9.239. (45%)	10.086. (45%)
9. Cost of participation oil (% of production)	13.250 (35%)	12.540 (55%)	12.540 (55%)
10. Average weighted cost	10.542	11.055	11.436

Persian Gulf Crude Oil Prices ^{1/}

Saudi Arabian 34° gravity oil	US \$ Per Barrel		
	<u>1 Jan 74</u>	<u>1 Jul 74</u>	<u>1 Oct 74</u>
1. Posted Price	11.651	11.651	11.651
2. Royalty	1.456 (12½% of 1)	1.689 (14½% of 1)	1.942 (16 2/3% of 1)
3. Production cost	.100	.100	.100
4. Profits for tax purposes (1-(2+3))	10.095	9.862	9.609
5. Tax	5.552 (55% of 4)	5.424 (55% of 4)	6.318 (65 3/4% of 4)
6. Government Revenue (2+5)	7.008	7.113	8.260
7. Cost of equity oil (3+6) (40% of production)	7.108	7.213	8.360
8. Cost of participation oil (60% of production)	10.835 (93% of post- ed price)	11.052 (94.86% of post- ed price)	10.835 (93% of posted price)
9. Average weighted cost	9.344	9.516	9.845

^{1/} Saudi Arabian light crude oil 34° API gravity is used as the benchmark for Persian Gulf crude because it represents a good average between higher priced low-sulfur crude and lower priced heavier oil.